

By Rep. Peter Welch

Most of us have heard the stories from our neighbors or friends: what began as the ordinary use of a credit card unexpectedly and unfairly led to a quicksand of debt.

All too often these anguishing stories come from consumers who are trapped by the unfair bait and switch practices or misleading tactics of credit card companies.

One Vermonter recently told me that her credit card company changed her billing cycle without warning, requiring her to pay a larger payment in a single month. Another family from St. Albans found themselves facing a spike in their interest rate to a budget busting 27.99 percent yet they had never been late on a payment.

As I meet with Vermonters around the state, these stories are becoming far too common. Vermonters want to pay their bills. But they also want a fair system with clear rules that won't change on them arbitrarily and without notice.

It's time to restore the basic fairness and transparency that all consumers are entitled to. As a start, I am sponsoring The Credit Cardholders' Bill of Rights, which would vastly improve the rights of all credit card holders.

This legislation protects cardholders against arbitrary interest rate increases, prevents cardholders who pay on time from being unfairly penalized, and prohibits card companies from imposing excessive fees. For example, it requires companies to give 45 days notice before changing their rates, allowing the consumer to cancel their card if they choose. It would also require bills to be sent a minimum of 25 days before they are due.

To make payments more predictable, this bill also protects cardholders from due date gimmicks, empowers them to set limits on their credit, and shields them from misleading terms. These are simple, common sense reforms that would go a long way in restoring fairness.

However, there is more to be done.

I recently held a roundtable discussion in Burlington on abusive credit card practices. With participants representing Vermont consumers, banks, and small businesses, I learned about a second issue that needs to be addressed-so called "merchants' fees." These are fees credit card companies charge to businesses each time their customers use a credit card. When merchants pass these costs along in the price of their goods, we all pay higher prices, especially on items such as gasoline.

Convenience stores, country stores, and gas stations are charged swipe fees of \$.10 to \$.15 for each transaction plus an additional 2 to 3 percent fee on the total sale. According to the National Association of Convenience Stores, these costs to local merchants were \$6.6 billion in 2006 alone, an increase of 22 percent from the year before.

According to storeowners I've heard from, as the price of gas has skyrocketed, these 2 to 3 percent fees mean that as much as \$.13 on every gallon of gas that you buy at the pump is going to the credit card companies. That adds up to as much as \$2.60 for a 20 gallon fill-up. Consumers and store owners deserve a fair deal so I am pursuing legislation that will give merchants the ability to negotiate fairer fees with the credit card companies, which use their monopoly power to inflict punitive costs.

Credit cards provide a convenient service. However, the need to take a hard look at abusive credit card industry's practices and how they are affecting the increasing costs for the goods we purchase is long overdue.

At a time when Vermonters are already feeling a financial pinch, it's time to end abusive credit card practices, eliminate excessive fees, and give consumers and local businesses a fair deal.